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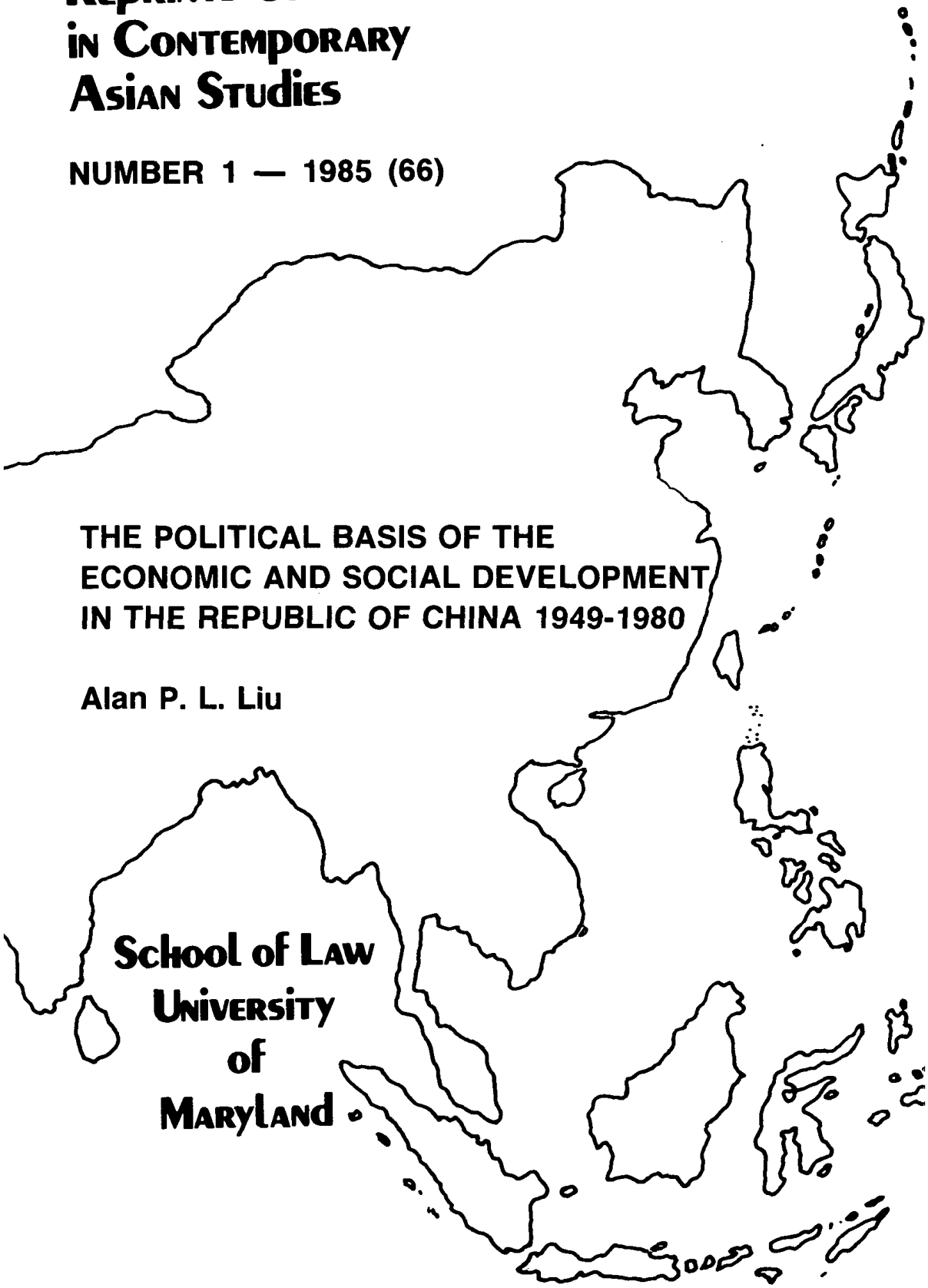

THE POLITICAL BASIS OF THE ECONOMIC AND SOCIAL DEVELOPMENT IN THE REPUBLIC OF CHINA 1949-1980

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*Alan P.L. Liu**

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This paper represents some preliminary results of a larger research project on comparative modernizations on Taiwan and mainland China that I have been conducting. I wish to express my deep appreciation to Professor Gaston J. Sigur and the Institute for Sino-Soviet Studies of The George Washington University for a summer research grant in 1982 that enabled me to do interviews in Taiwan in June-August and research in Hong Kong in August, 1982. My research in Taiwan was greatly facilitated by a grant from the National Science Council of the Republic of China, especially the assistance by Dr. Wang Chi-wu, director of the Council. While in Taipei, I conducted interviews with former President C.K. Yen, Minister K.T. Li, Wan-an Yeh of the Council for Economic Planning and Development, Dr. Yung Wei of the Executive *Yuan*, and Professor Tso-yung Wang, all of whom spent their valuable time to talk to me. I am deeply grateful to them. I am, of course, solely responsible for the views expressed in this paper.

INTRODUCTION

One of the most dramatic episodes in the post-war world is the recovery of the Chinese Nationalist government from its defeat on Chinese mainland. When the Nationalist government moved to Tai-

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wan in December, 1949, the United States expected the momentary fall of the island to the communist hands.[1] The ruling Kuomintang had probably lost more than ninety percent of its members and half of its top leaders. Economically, Taiwan was in ruin, with inflation running about 300 per cent in 1950. Nowadays scholars in America widely assume that the Kuomintang had taken with it to Taiwan a large number of skilled personnel. However, it is less well-known that over 95 percent of the staff of the prestigious National Resources Commission (Tzu-yuan Wei-yuan Hui) in which had concentrated the best scientists and engineers on the mainland had defected to the communist side (and, by the act, were to be wasted in Mao's China).[2] There seemed to be no prospect for the Nationalists to survive, let alone prosper. In thirty years, however, the Republic of China pulled itself out of the jaws of defeat and demoralization and has now stands at the front rank among the newly industrialized countries of East Asia. The per capita national income in Taiwan in 1981 was US $2,334, ten times that of mainland China. With 1952 as base year, by 1981, the gross national product had grown by nine times, real per capita GNP had grown by five times, agricultural production nearly doubled, and the industrial production index registered a growth of 41 times that of 1952.[3] In 1981, the American organization The Environmental Fund ranked nations on a scale of 1 to 100 in terms of quality of life (infant mortality, life expectancy at age one, and literacy); Taiwan was rated 86 and mainland China, 69 (the U.S. was rated 94).[4] These stunning achievements of the Republic of China are all the more impressive if one considers that they were obtained in spite of having one of the highest rates of population growth and density, the termination of U.S. aid in 1965 and severe diplomatic setbacks in the 1970s. The purpose of this paper is to, borrowing from Professor Wou Wei,[5] solve (at least partially) the riddle of the spectacular feats of the Republic of China in the last thirty years.

Much has been written about Taiwan's economic development by

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1. *See, e.g.*, the U.S. State Department pronouncement in Hungdah Chiu, ed., *China and the Question of Taiwan*, New York: Praeger Publishers, 1973, pp. 217-220.

2. The 95 per cent figure is given by Chiang Kai-shek in 1952, see Ch'in Hsiao-yi, ed., *Tsung-t'ung Yen-lun-chi* (President Chiang's Speeches), Volume Three (On Education and Youth), Taipei: Chung-hua Wen-hua Ch'u-pan Shih-yeh-she, 1963, p. 312.

3. "Quality of Life Linked to Growth, Prosperity," *Free China Quarterly*, (August 21, 1983), p. 2.

4. "Sweden Top-ranked Country in Quality of Life Survey," *Santa Barbara News-Press*, (November 12, 1981), p. C-9.

5. Wou Wei, *Chih-k'ai Tai-wan Ching-chi Fa-chan Tzu-mi* (Solve the Riddle of Taiwan's Economic Growth), Taipei: Yuan-ching Ch'u-pan-shih-yeh Company, 1980.

economists.[6] I, therefore, wish to stress the political factors that have made Taiwan's spectacular achievements possible. More specifically, I will discuss political stability, the establishment of a community of modernizers and the rise of a new entrepreneurial class on Taiwan.

POLITICAL STABILITY THROUGH TUTELARY DEMOCRACY

By now most writers on Taiwan have acknowledged the crucial importance of political stability to the country's development for the last thirty-some years.[7] Central to Taiwan's political stability and growth are three ingredients: the role of the late President Chiang Kai-shek, the rejuvenation of the Kuomintang, and the establishment of a tutelary democracy on Taiwan.

The Role of President Chiang Kai-shek

In retrospect, one of the major keys to Taiwan's stability and development is the personality and leadership of the late President Chiang Kai-shek. First of all, Chiang put the KMT defeat on the mainland in proper perspective, thereby stemming the tide of defeatism and demoralization in the crucial years of 1949-1951. Announcing the start of reform of the Kuomintang in July, 1950, Chiang stated, "The reason for the defeat of our anti-Communist campaign on the mainland is not due to great strength of the Communists but the disintegration of our party."[8] More specifically Chiang pointed to widespread factionalism in the Kuomintang and its refusal to work with people and groups not belonging to the Nationalist Party. This accurate diagnosis set the tone for the rebuilding of the Kuomintang, which was crucial for Taiwan's development. Second, despite defeat, Chiang never lost sight of his personal values and confidence. Ever since the early 1930s when Chiang took the lead in building and modernizing China, he believed the fundamental worth of traditional Chinese virtues and ethics, e.g., the Four Cardinal Principles and Eight Virtues (Ssu Wei, Pa Te). It was quite perceptive of Chiang to see then what is now acknowledged by many Western scholars—tradi-

6. *See, for example*, Samuel P.S. Ho, *Economic Development of Taiwan, 1860-1970*, New Haven and London: Yale University Press, 1978; and John C.H. Fei, Gustav Rains and Shirley W.Y. Kuo, *Growth with Equity: The Taiwan Case*, London: Oxford University Press, 1979.

7. Ralph N. Clough, *Island China*, Cambridge, Massachusetts: Harvard University Press, 1978.

8. *Chung-hua Min-kuo Nien-chien, 1950* (1950 Yearbook of the Republic of China), Taipei: Chung-hua Min-kuo Nien-chien-she, 1951, p. 121.

tional ethos are not necessarily incompatible with modernization; on the contrary, in many instances, traditional values facilitate the change from an agrarian to an industrial society.[9] On Taiwan, amidst doubts and uncertainty about the future, Chiang reaffirmed the fundamental worth of traditional Chinese ethics. As he told a gathering of high-rank Kuomintang leaders in 1951:[10]

> Some have expressed the view that the four Cardinal Principles and Eight Virtues are anachronistic in our current struggle with the communists. This is a serious mistake. Based on my own experience and our recent defeat, my faith in the four Cardinal Principles and Eight Virtues as the spiritual pillar of our salvation and struggle with the Communists has been reaffirmed.

Chiang stressed that what he advocated was not mechanical or literal application of the old ethos, but rather the spirit of it. Chiang's self-confidence and unswerving faith in the most basic traditional Chinese values must have had a becalming, affirmative and even integrating impact on Taiwan. Chiang's appeal to traditional Chinese values had an integrative impact because these values have been the single most solid bond between the native people of Taiwan and those from the mainland after 1945. The world, especially those in America, only recently have started to appreciate the constructive roles that old Chinese values have played in Taiwan's modernization. American journalists and scholars are now bandying about "Confucian capitalism" on Taiwan, Hong Kong, South Korea and even Japan, though thirty years ago it was popular to attribute the defeat of Kuomintang on Chinese mainland to its adherence of these same Confucian values. John Fairbank, for example, wrote disdainfully about "Nanking's new leaders had not been able to modernize their own thinking."[11] The comparative history of Taiwan and mainland China in the last thirty years has borne out Chiang Kai-shek, not Professor Fairbank. As early as 1952, Chiang had perceptively pointed out that it is the Soviet system that is truly feudalistic, not the Kuomintang's advocacy of traditional Chinese values.[12] The admissions of the Communist Party of China after the death of Mao illustrated clearly President Chiang's observation.

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9. *See, for example*, S.N. Eisenstadt, ed., *Post-Traditional Societies*, New York: W.W. North & Company, Inc., 1972.

10. Ch'in Hsiao-yi, Volume Three, *supra* note 2, p. 297.

11. John King Fairbank, *The United States and China*, Third Edition, Cambridge, Massachusetts: Harvard University Press, 1971, p. 243.

12. Ch'in Hsiao-yi, Volume Three, *supra* note 2, p. 313.

Through his correct and rational diagnosis of the cause of the defeat of the Kuomintang on the mainland and his affirmation of the fundamental values of Chinese culture, Chiang gave the people of Taiwan a secure sense of identity and direction for the future. In addition to that, Chiang Kai-shek, in the early 1950s, set the right priority in national development. Contrary to the view that Chiang had mortgaged Taiwan's development to his desire of recovering Chinese mainland, Chiang's stress from the start was first to build Taiwan. In the Kuomintang communique on party reform in 1950, it is stated, "We must start from Taiwan. We must not only defend but also build Taiwan."[13] Chiang declared in 1951, "What we should be concerned with is *not* that we are unable to take the mainland back but that we are incapable of building Taiwan up."[14] [emphasis added]

Last, the personality of Chiang Kai-shek was conducive to national reconstruction in a time of peace. American scholar Lucian Pye suggests that there are two types of leadership in national development. The first type consists of those seemingly charismatic leaders in the newly independent nations who rely on ideological pronouncements to mobilize their countrymen. Unfortunately, as Pye puts it, "the universal pattern has been one of leaders communicating uncertainty and confusion as they have failed to resolve the crisis of identity in their own persons; . . . When ideological pronouncements seem to ring more false than true, people tend to withdraw from the search for a collective identity, and politics is likely to become an arena for opportunism."[15] The second type of leadership is provided by those who have already a strong and secure sense of identity and competence and who then assist others to find their own sense of identity through the mastery of demanding skills. The history of mainland China and Taiwan in the last thirty years has shown unmistakably that Mao Tse-tung belonged to the first, and Chiang Kai-shek to the second type leadership. Whereas Mao relied on ideological pronouncements which amounted to demagogy and brought mainland China to the verge of collapse, Chiang made use of the few highly educated specialista and professionals who went to Taiwan to develop the country without fanfare or demagogy. From the office of Chiang Kai-shek no inflammatory slogans similar to the communist "Socialist transformation," "Great Leap Forward," or "Great Proletarian Cultural Revolu-

13. *Chung-hua Min-kuo Nien-chien, 1950, supra* note 7, p. 127.

14. Ch'in Hsiao-yi, ed., *Tsung-t'ung Yen-lun-chi* (President Chiang's Speeches), Volume One (On Politics), Taipei: Chung-hua Wen-hua Ch'u-pan Shih-yeh-she, 1966, p. 317.

15. Lucian W. Pye, *Politics, Personality, and Nation Building, Burman's Search for Identity*, New Haven: Yale University Press, 1963, pp. 288-289.

tion" were ever pronounced. Chiang's way was subtle yet persistent exertion on the numerous practical tasks of building a nation. In 1950 while explaining the need for major reform of the Kuomintang Chiang had this to say to his followers:

> Almost everyone of our comrades has the view that our failure in the anti-communist struggle is due to our not carrying out the Principle of People's Livelihood on the mainland. Every comrade also knows that henceforth in our anti-communist struggle we must rely on the Principle of People's Livelihood. However, let me ask: During the past four years on the mainland did any of our Party branches in the villages ever carry out land surveys? Did any city Party office conduct any labor surveys? Did any provincial Party office submit any report based on systematic social and economic surveys? The realization of the Principle of People's Livelihood is through actual practice, not just theoretical discussion.[16]

To stress the need for practical work, Chiang established the Research Institute for the Practice of Revolution (Ke-ming Shih-chien Yen-chiu Yuan) on Taiwan, with special emphasis on the word "practice." All high and middle rank Kuomintang members were required to study in this institute.

Chiang's preference for quiet and practical work is complemented by his respect for modern professions and specialists. Unlike Mao, Chiang had no anti-intellectual or anti-specialist bias. According to economist Tso-yung Wang, President Chiang readily listened to the advice of professional economists. Chiang had no definite theory of economic development of his own though he, of course, was committed to making China a modern nation.[17] This ideological flexibility and tolerance on the part of Chiang enabled a group of specialists and professional economists to use their talents and knowledge to build Taiwan steadily over the past three decades.

For quite some time (and there continues to be so in some scholarly circles in the West), there was naive reverence for Mao Tse-tung in the West simply because Mao was known as "an intellectual." What is often glossed over is the thin line between a radical intellectual such as Mao and a demagogue. Radical intellectuals, especially those in the newly independent countries, as Edward Shils points out, are not particularly helpful or constructive in a nation's moderniza-

16. *Chung-hua Min-kuo Nien-chien, 1950, supra* note 7, p. 123.
17. Interview with Professor Wang in Taipei, July, 1982.

tion.[18] National development requires not inflammatory rhetoric but work ethic and professional competence. To contrast the style of leadership of Mao and Chiang, Edward Shils' remarks are worth quoting:[19]

> Another danger in demagogy is that what it so quickly creates—other than religious or quasi-religious attitudes formed by conversion—does not go deeply into the dispositional structure, and it does not last. It is merely enthusiasm, and it is in the nature of enthusiasm not to last in most people. It is also in the nature of enthusiasm to generate expectations for large and basic transformations in the order which it confronts, and the situation of the new states is not such as to satisfy such expectations.
>
> It is not the flash of enthusiasm but persistently sustained exertion that is the prerequisite of national development—not just because such exertion may be a moral virtue in itself, but because it is required by the complex undertakings which are on the program of modernization.

The thirty-some years of social and economic development on mainland China under communist rule and Taiwan under the governorship of the Kuomintang shows unmistakably that the leadership of Mao Tse-tung was demagogic, whereas that of Chiang Kai-shek was based on persistent and positive work ethic.

Rejuvenation of the Kuomintang

Next to the leadership of Chiang Kai-shek, rejuvenation of the Kuomintang after 1950 has played a crucial role in Taiwan's political stability and economic growth. As mentioned earlier, President Chiang set the rational tone for the reorganization of the Kuomintang in 1950. Despite defeat and defection from the rank of the party, bloody purge or recrimination did not mar Chiang's party reform—quite a feat for any political organization in a state of crisis.

In reforming the Kuomintang, Chiang had two aims in mind—to create a coherent elite and an effective organizational structure so as to link the Kuomintang with every sector of society. The key to the first aim is the composition of the 16-member Central Reform Commission

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18. Edward Shils, "The Intellectuals in the Political Development of the New States," *World Politics*, XII, No. 3, (April 1960), pp. 329-368.

19. Edward Shils, "Demagogues and Cadres in the Political Development of the New States" in Lucian W. Pye, ed., *Communications and Political Development*, Princeton, N.J.: Princeton University Press, 1969, p. 65.

established in July, 1950, to undertake the task of rejuvenating the Kuomintang. The commission was headed by the then Governor of Taiwan Ch'en Ch'eng. Perhaps the most noteworthy characteristic of the membership of this commission was the absence of those Kuomintang leaders such as the C.C. clique (a conservative faction in the KMT Party) who were believed to be chiefly responsible for severe factionalism inside the party before then. The second important characteristic of this commission was the close ties of all the members with President Chiang. They were either Chiang's former students or loyal subordinates, Governor Ch'en Ch'eng exemplifying the latter. Chiang's elder son, Chiang Ching-kuo, was also a member of the commission. This was indeed a coherent and consensual leadership. Moreover, members of the reform commission were in their prime, their average age being 47. Nine out of the sixteen members on the commission had acquired a college education from abroad and two earned doctoral degrees. Altogether those members of the commission who had received university educations amounted to fourteen; the remaining two received professional military educations.[20] This was not only a highly educated, but also a cosmopolitan elite. The composition of the Central Reform Commission portends enlightened leadership of the Kuomintang ever since 1950.

To the rest of the Kuomintang, Chiang directed that the party must shed its past exclusiveness and cliquishness. Chiang's motto for the reform of the body of the Kuomintang was: "Attract new comrades on the basis of anti-Communist national salvation and cultivate cadres in the practical tasks of political and economic reform." Starting October, 1950, the Kuomintang re-registered its members while simultaneously recruited new ones. By May, 1952, the membership of the Kuomintang had been doubled since October, 1950, more than half of the members being new. By then an organizational structure had already been established; the primary organization of the party, the branches, had been organized on the bases of administrative division, public office and social grouping. The new membership of the Kuomintang was young and broadly representative of society, except for the sex ratio. The social composition of the members of the Kuomintang in 1951 is presented in Table 1.

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20. Hsu Fu-min, *Chung-kuo Kuo-min-tang ti Kai-tsao (1950-1952) Chien-lun Ch'i-tui Chung-hua Min-kuo Cheng-chi Fa-chan ti Ying-hsiang* (The Reform of the Kuomintang, 1950-1952 and Its Impact on the Political Development of the Republic of China). Master of Arts Thesis, Institute for the Study of the Three Principles of the People, National Taiwan University, Taipei, 1984, pp. 68-72.

Table 1—Social Composition of Kuomintang Members (1951)[21]

I. Sex (in percentage)
   Male: 94.4
   Female: 5.6
II. Age Composition (in percentage)
   18 to 30 years old: 48.9
   31 to 40 years old: 31.1
   41 to 50 years old: 15.6
   51 to 60 years old: 4.3
   Above 60 years old: 0.1
III. Regional origin
   Taiwan: 56.9
   Other: 43.1
IV. Social Composition
   Peasant: 18.9
   Worker: 20.19
   Business: 10.8
   Intellectual: 40.6
   Others: 8.8

The most noteworthy point in Table 1 is the more than half of the members of the party were natives of Taiwan. Thus, the Kuomintang lost no time in integrating the natives into the new political establishment. The members of the party were then organized into some 30,000 primary organizations which were distributed among all sectors of society.

With the party organization in order, the Kuomintang quickly established a "tutelary democracy" on Taiwan. "Tutelary democracy," as described by Edward Shils, is a variant of "political democracy" which is exemplified by old democratic regimes such as England and the United States. "Tutelary democracy" is established by leaders who are basically committed to a democratic rule but judging that their society has not obtained all the necessary preconditions for "political democracy." Tutelary democracy differs from "political democracy" in having a strong executive and a comparatively weak legislature. Moreover, "the peaks of the executive branch of the government and of the dominant party move closer to identity than they do in a regime of political democracy. Discipline is maintained in both party and state by a strong personality of a coalition of strong

21. *Ibid.*, p. 154.

personalities."[22] There are certain basic conditions for the establishment of a tutelary democracy. First, there must be a competent, stable and internally coherent elite. This elite must be sufficiently effective, in its efforts to modernize the country, and maintain its legitimacy in the eyes of the public. Second, the leaders in a tutelary democracy must minimize the use of coercion to achieve consensus. The principle of loyal opposition must be accepted by the elite in a tutelary democracy though the opposition is held in check by the government. The leaders of a tutelary democracy must have at its disposal a competent civil service to carry out developmental plans and an effective security force to prevent subversion. In a tutelary democracy institutions of public opinion such as press, universities and secondary associations in society are generally weak and newly established. At the same time there must be widespread system of elementary education. Last, tutelary democracy "presupposes a generally mild-mannered population."[23]

The political situation on Taiwan in the early 1950s was ideal for tutelary democracy and the Kuomintang's rule conformed closely to Shils' model which was primarily based on the Indian political system. As our foregoing discussion has shown, the reform of the Kuomintang ensured a coherent elite and the high educational qualification of the new leaders of the Kuomintang guaranteed its competence. The organizational structure of the party further enhanced its effectiveness. With Ch'en Ch'eng as the new Premier of the National Government in 1950, a cabinet of modernizers was formed, including K.C. Yeh (Foreign Minister), T.W. Yu (Defense Minister), C.K. Yen (Minister of Finance), C.Y. Yin (Economic and Industrial Planning), M.L. Chiang (Agricultural Development) and S.N. Fu (Education). All of them had university educations and most of them had been educated in the West. They had never been involved in the political in-fighting on the mainland. In their hands, Taiwan's economic development and nation-building had a good start.

Given its defeat on the mainland, the Kuomintang understandably was wary of a strong opposition on Taiwan. In principle, however, the Kuomintang accepted a loyal opposition, as exemplified in the formalistic existence of the Chinese Democratic Social Party (Min She Tang) and China Youth Party (Ch'ing Nien Tang). In practice the functions of a political opposition were realized on Taiwan in two

22. Edward Shils, *Political Development in the New States*, London and Paris: Mouton & Co., 1965, p. 62.

23. *Ibid.*, pp. 63-67.

ways. First, after reorganization of the Kuomintang, those factions that had been excluded from the new power alignment within the party, especially the members of the former C.C. clique, found an outlet in the two representative organizations of the National government—the Legislative *Yuan* and the Censorate *Yuan (Chien-ch'a Yuan)*. The function of political opposition on Taiwan is also performed by the elective officials in local government. The institution of local election is perhaps the strongest statement of the Kuomintang's basic commitment to a democratic rule. Elections of municipal and county government leaders began in 1950 and that of provincial assembly, 1957. These elections not only gave the native Taiwanese a voice in the government but also enabled the Kuomintang to link itself with local notables who, in the 1950s, were often elected to public offices. For example, in 1950, of the 21 county and municipal leaders elected, the Kuomintang candidates captured 17. The mayors of two major cities, that of Taichung and Tainan, were not Kuomintang candidates. However, after their victory in election, both mayors were induced by the Kuomintang to be members of the party.[24] These measures have ensured at least some communications between the ruling Kuomintang and the real or potential opposition.

A tutelary democracy, as mentioned earlier, must have a competent civil service. After its move to Taiwan, the National government carried out regular civil service examinations to maintain standards among civil servants. From 1950 to 1981, the government held 32 general civil service examinations. In 1971, of those newly appointed civil servants, 24.4 percent had been qualified in civil service examinations; the percentage of the same had increased to 38.18 in 1982. In 1971, the percentage of civil servants having university educations was 38.18; by 1982, it had risen to 60.2.[25] The civil service examinations provided the aspirants in society with a regular route to social and economic mobility and also infused the bureaucracy with new blood.

A tutelary democracy is also based on relatively weak institutions of public opinion. When the Japanese left after the war, there was only one newspaper for the native population. After the move of the National government to Taiwan, partly due to economic stringency and the government's experience on the mainland (heavy communist penetration in privately-owned newspapers in the major cities during 1947-1949), the government used the rationing of newsprint to check the growth of newspapers. As a result, the number of newspapers,

24. Hsu Fu-min, *supra* note 20, p. 157.
25. *Ibid.*, p. 200.

after its initial spurt from one in 1945 to 30 in 1952, stood at 31 in 1981.[26] However, the circulation of newspaper has grown tremendously over the years. The number of copies of newspapers available to every one hundred households on Taiwan increased from 16.27 in 1961 to 58.85 in 1980.[27] Other institutions of public opinion were similarly weak when the Kuomintang moved to Taiwan. There were, for example, only one university and three colleges on Taiwan in 1950 and the number of university and college students constituted only 0.71 per cent of the total population.[28] However, under Japanese rule, there was universal elementary education which the Nationalist government further expanded. All these initially facilitated the Kuomintang's establishment of a tutelary democracy on Taiwan.

"The regime of tutelary democracy," writes Shils, "presupposes a generally mild-mannered population, not frequently given to tumultuous manifestations, without intense political loyalties."[29] Despite the riot of February 28, 1947, which was confined largely to few cities, the native population of Taiwan, being predominantly rural in the early 1950s, was fairly quiescent. The successful land reform that the government carried out in the early 1950s further tended to ensure a basically supportive population.

The foregoing accounts largely for the political stability of Taiwan which in turn laid the foundation for economic growth over the last thirty-some years.

COMMUNITY OF MODERNIZERS

As mentioned earlier, the chief *raison d'être* of a tutelary democracy is effective leadership for national development, with economic growth as the pivot. Experience in the newly developing nations has shown that for economic growth to occur, there must first be a strong political will to development, and secondly, there must be a community of modernizers whom political leaders entrust to plan for and execute development. As subsequent discussion will show, these

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26. *Taiwan Statistical Data Book, 1982*, Taipei: Council for Economic Planning and Development, Executive Yuan, 1982, p. 260.

27. *Chung-hua Min-kuo Liu-shih-chiu-nien She-hui Chih-piao T'ung-chi* (Social Indicators of the Republic of China, 1980), Taipei: Directorate-General of Budget, Accounting & Statistics, Executive Yuan, Republic of China, 1981, p. 138.

28. Lin Ch'ing-chiang, "Kao-deng Chiao-yu" (Higher Education) in *Chung-hua Ming-kuo K'ai-kuo Ch'i-shih-nien chih Chiao-yu* (Seventy Years of Education in the Republic of China), Volume One, Taipei: Kuang-wen Book Company, 1981, pp. 228-229.

29. Shils (1965), *supra* note 22, p. 66.

conditions for economic growth were fulfilled on Taiwan in the early 1950s.

Politically, as discussed in the previous section, President Chiang had put his own personal status and reputation behind the goal of building Taiwan. Moreover, the reform of the Kuomintang enabled President Chiang to delegate securely the task of development to the experienced Ch'en Ch'eng. By 1950 Ch'en had been a loyal subordinate of President Chiang for some 26 years. In terms of outlook Ch'en was much like Chiang; though having purely military education Ch'en respected the knowledge and views of specialists. Ch'en's experience in combating the communists on the mainland further convinced him the urgency of economic development, especially agricultural reform.

Next to the strong commitment of National government to development, a crucial factor in Taiwan's successful economic growth is the close tie and mutual trust between political leaders and specialists in economic planning. These conditions were obtained in Taiwan in the early 1950s partly because of the small number of elites at the top, and partly due to the natural selection process in that those who did not feel loyal to the Kuomintang had either defected to the Communist side or fled abroad. Those specialists who went to Taiwan maintained long careers of loyal service with the Nationalist government; neither Chiang nor Ch'en had any anxiety of entrusting Taiwan's development to these professionals. The careers of Chung-yung Yin and Kuoting Li, two pivotal figures in Taiwan's economic development, exemplify the politically reliable background of the specialists. Trained as an electrical engineer and a graduate of modern China's most prestigious technological university—the University of Communications of Shanghai—Yin had already been in the service of the Nationalists for some 24 years when he became the head of the Industrial Council of the Economic Stability Board in 1950. The Economic Stability Board soon became the highest planning body in Taiwan. K.T. Li is by training a nuclear physicist who interrupted his advanced study at Cambridge University in 1937 to return to China, hoping to aid the country's resistance against Japan's invasion. Throughout the war Li worked in various capacities, involving mainly technological innovations to help China's war effort. Both Yin and Li were on the staff of the prestigious National Resources Commission before 1949. In 1948, Li was assigned to Taiwan to take over the shipbuilding industry that Japan had left behind. Before long Li joined Yin in the Industrial Council. Both Yin and Li later became Ministers of Economic Affairs. Thus their long careers with the Nationalist government earned

them the basic trust of the leaders of the Kuomintang. A community of modernizers formed around Yin and Li, whose contribution to Taiwan's economic growth was vital.

The role of a community of modernizers to a nation's development, as pointed out by both Pye and Shils, is not limited to economics. These specialists, in contrast to demagogic politicians, have a secure sense of self-identity and effectiveness. They provide their society with a constructive role model. With such a community of modernizers, in the words of Pye, "national development would be furthered as ever-increasing numbers of competent people meet in their daily lives the exacting but also psychologically reassuring standards of professional performance basic to the modern world."[30]

To study the community of modernizers on Taiwan this author has analyzed the educational background of 44 members of the following organizations that have been the centers of Taiwan economic planning: the Council for Regulation of Productive Enterprises (the earliest economic planning body), the Economic Stability Board, the Council for U.S. Aid, the Council for International Economic Cooperation and Development and the Council for Economic Planning and Development. The result is presented in Table 2.

Table 2—The Educational Qualification of Economic planners[31]

I. Highest Educational Attainment
   1. University education: 43 (97.72% of total)
   2. Advanced education abroad:
      United States: 23 (52.27%)
      West Europe: 4 (9.09%)
      Japan:1

II. Area of Specialization
   1. Engineering: 21 (47.72%)
   2. Social Science: 15 (34.09%) (12 economists, 2 legal specialists and one specialist in administration)
   3. Science: 3 (6.82%)
   4. Military: 1 (2.27%)
   5. Unknown: 4 (9.09%)

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30. Pye, *supra* note 15, p. 289. See also Shils (1965), *supra* note 22, p. 24.

31. The sample of 44 planners is drawn from *Chung-hua Min-kuo Tang-tai Ming-jen-lu* (Who's Who in the Republic of China), Volume I-III, Taipei: Chung-hua Book Company, 1978.

There are two noteworthy aspects of the educational background of Taiwan's top economic planners. First, they are truly an intellectual elite, all except one receiving a university education. Moreover, more than half of them were educated in the United States and Western Europe. This cannot but influence the perspectives of these planners. That Taiwan has adopted a free market economy must have had something to do with the educational background of these planners. Second, in terms of training, one sees predominance of engineers and scientists in the highest council on economic planning. According to economist Tao-yung Wang, himself one of the planners, there is a basic difference in the perspectives of engineers and scientists on the one side and the social scientists on the other. The engineer—or scientist-turned-planners—tend to be cautious, with accent on stability and steadiness. These specialists take a project-by-project approach to development. The social scientists, being predominantly economists, tend to be macroscopic in their views. Professor Wang, for example, both in his written works and interview with this author, strongly advocated a "revolutionary" approach to Taiwan's economic planning.[32] However, in the highest council of economic planning in the Republic of China, it was the specialists who took the initial command of planning. As we mentioned earlier, the two most influential planners—C.Y. Yin and K.T. Li—were respectively an electrical engineer and a nuclear physicist. It is plausible that President Chiang and especially former Vice President Ch'en deliberately entrusted planning to specialists for their pragmatic attitudes. President Chiang had emphasized a practical approach in Taiwan's development.

In the background of the economic planners of the Republic of China we see a unique approach. According to Waterston, an authority in development planning, the standard pattern in the organization of economic planning is a predominance of economists. Specialists are concentrated at the operating level. Waterston stresses the need for economists to master a degree of technical and scientific knowledge in order to facilitate planning.[33] In the Republic of China, this standard pattern has been reversed. In the highest council of planning on Taiwan, it was the specialists who predominated and mastered general knowledge of economics, public administration and law. C.Y. Yin, for example, became a voracious reader of books in economics in the

32. Interview with Professor Wang in Taipei, July 1982. See also Wang Tso-yung, *Taiwan Ching-chi Fa-chan Lun-wen-chi* (An Anthology of Taiwan's Economic Development), Taipei: Shih-pao Wen-hua Publishing Company, 1982, p. 141 and 224.

33. Albert Waterston, *Development Planning. Lessons of Experience*, Baltimore, Maryland: The Johns Hopkins Press, 1965, p. 517 and 535.

1950s and would sometimes lament the lack of opportunity for him to discuss issues with trained economists.[34] Later Yin would be the first person to introduce Rostow's concept of "economic take-off" to the fledgling entrepreneurs of Taiwan.[35] According to K.T. Li, his knowledge of general economics and development was acquired in actual work and in international economic conferences such as those sponsored by the Economic Commission for Asia and the Far East of the United Nations. The process of transformation from a nuclear physicist to economic planner, says Li, has been natural as he moved from technical to general planning jobs.[36] Let us hazard a hypothesis here. That is: it is more feasible and probably profitable for a technical or scientific specialist to acquire the knowledge and competence of a generalist in economic planning than the other way around. The examples of Yin, Li and their associates have shown that their primary calling—as engineers or scientists—has had an overall impact in their work, witnessing Taiwan's pragmatic and steady approach to economic development. Furthermore, both Yin and Li have been highly conscious of their role transformation. Yin, for example, once said that being an engineer one must have a scientist's spirit of searching for truth and the practical methodology of an economist. "In other words," Yin stated, "an engineer is a scientist who is knowledgeable about economics."[37] To K.T. Li, the most important quality that the engineers and scientists had imparted to Taiwan's economic planning is the spirit of objectivity.[38]

The background of these modernizers on Taiwan tells us much about the success of the Republic of China's economic development. These specialist-turned-planners eschewed grandiose scheme, concentrated on workable projects, rejected bureaucratic monopoly, favored free market enterprise, and accepted readily new knowledge and experience from the advanced nations of the world. Our analysis of the background of Taiwan's economic planners and their close collaboration with the political leaders of the Republic of China further confirms Waterston's observation that the key to economic planning and

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34. Wang Kung-chi, "My Memory of Yin Chung-yung," *Chung-wai Journal*, Volume 6, No. 1 (July 1969) as reprinted in *Hua-fu Yu-pao* (The Washington China Post), (March 30, 1984), p. 4.

35. Yin Chung-yung, *Wo-tui Tai-wan Ching-chi Te K'an-fa* (My Views on Taiwan's Economy), Volume 3, Taipei: Council for Economic Planning, The Executive Yuan, Republic of China, 1973, p. 73.

36. Interview with K.T. Li, July 1982, in Taipei.

37. Yin Chung-yung, *supra* note 35, p. 202.

38. *Supra* note 36.

development is political rather than economic.[39]

RISE OF ENTREPRENEURS

Whereas the community of modernizers discussed in the previous section is the pivot of Taiwan's superstructure of economic development, the new class of modern entrepreneurs on Taiwan is the main force in the infrastructure of Taiwan's dynamic economy and society. The rise of the entrepreneurial class in Taiwan bespeaks the popular participation in Taiwan's modernization since, as shall soon be demonstrated, most of the entrepreneurs are natives of Taiwan. The entrepreneurs class also provides the answer to the "riddle" of Taiwan's success—modernization requires the psychic mobilization of members of society (the concept that the communists on the Chinese mainland only now become dimly aware of). The role of entrepreneurs, as that of specialist-turned-planners, is not limited to economics only. As mentioned earlier, the specialists in the highest councils of economic planning have imparted a sense of secure identity and effectiveness to the whole nation. The modern entrepreneurs are living models to the Chinese people of the profitability of social change. Moreover, the careers of modern entrepreneurs represent the quintessence of modern men who are characterized by being unafraid of change, alertness to new opportunity, strategic planning and, above all, a work ethic.

At the outset of Taiwan's economic development there was little or no native entrepreneurial class. It was Japan's colonial policy to keep the natives from positions of power in Taiwan's economy. Samuel Ho writes:

> Until 1924 Taiwanese were not allowed to organize or operate corporations unless there was Japanese participation. Even after this restrictive rule against Taiwanese participation was rescinded, Taiwanese were reluctant to seek entry to the modern corporate sector because of its domination by Japanese capitalists. Through its power to regulate and license and by granting exclusive privileges to Japanese capitalists, the government successfully kept economic power from the Taiwanese.[40]

Hence, initially, the Nationalist government had to rely on a small number of entrepreneurs from the mainland. Furthermore, the government often assumed an entrepreneurial role itself by first establishing new industries such as textiles and then cultivated private

39. Waterston, *supra* note 33, p. 3, 161 and 348.

40. Samuel Ho, *supra* note 6, p. 38.

entrepreneurs to gradually take over the industries. In the early 1950s, for example, the Nationalist government, to rectify Taiwan's heavy dependence on Japanese cloth, actively promoted domestic textile industry. On the one hand, the government limited import of cotton cloth so as to restrict competition. On the other hand, the government supplied textile factories with raw cotton and bought back the fabrics. The manufacturers thus reaped almost net profits. Under this policy of fostership, Taiwan's textile industry grew rapidly and became the most important industry and export item in Taiwan's economic take-off.[41] According to C.Y. Yin, almost all major industries of Taiwan were started this way—government initiation followed by private takeover and expansion.[42] However, through the 1950s and 1960s Yin regularly lamented the absence of a class of modern entrepreneurs to fuel Taiwan's economy. Had Yin lived for another decade (Yin passed away in 1963), he would have felt vindicated. For by the late 1970s, a new class of modern entrepreneurs has, in the words of Tso-yung Wang, "already been formed."[43] These new entrepreneurs, according to Wang, are mostly young, well educated, possessing the knowledge of modern management and a venturesome tendency, being alert to opportunity and willing to innovate.

To analyze the background of the modern entrepreneurs, this author has done a preliminary analysis of the 3,000 persons listed in the *Chung-hua Min-kuo Ch'i-yeh Ming-jen-lu* (Taiwan Who's Who in Business), the 1979-1980 edition.[44] Due to the lack of standardization of data in the *Who's Who*, however, the total numbers of each category do not necessarily correspond to each other. For example, not every person in the book is given a birth date. Of the total 3,000 entries, information on age is listed for only 2,699 persons. Table 3 presents the result of preliminary analysis.

First of all, in terms of regional origin, the *Who's Who* lists 1,863 natives of Taiwan (68.9% of total) and 840 (31.4%) of mainland origin; hence the native entrepreneurs outnumber mainland entrepreneurs more than two to one. Table 3 shows clearly that the native entrepreneurs are younger than those from the mainland and substantially so.

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41. Wang Tso-yung, *Wo-men Lu-ho Ch'uang-tsao-liao Ching-chi Ch'i-chi* (How Did We Create Economic Miracle), Taipei: Shih-pao Wen-hua Publishing Company, 1978, pp. 25-26.

42. C.Y. Yin, Volume 3, *supra* note 35, p. 107.

43. Wang Tso-yung (1978), *supra* note 41, p. 114.

44. *Chung-hua Min-kuo Ch'i-yeh Min-jen-lu, 1979-1980* (Taiwan Who's Who in Business, 1979-1980), Taipei: Harvard Management Service, Inc., copyright 1978.

Table 3—Age, Regional Origin and Occupation of Entrepreneurs in the Republic of China, 1979-1980

	Taiwan	Mainland	Total Person
Median Age	45.8 (1893)	58.9 (806)	2699
Occupation (in percentage)			
Manufacturing	62.22%	50.06%	1464
Textile	12.8%	15.18%	
Paper	12.72	10.6	
Chemical	18.52	20.75	
Electronics	14.20	15.19	
Food	9.82	6.58	
Machine Tool	9.16	6.83	
Construction	11.00	15.30	310
Managerial	10.18	14.57	290
Service	9.42	10.60	246

In terms of occupation, though manufacturing constitutes the largest number of entrepreneurs in both groups, the internal composition reveals interesting differences between the two groups. Possibly due to superior experience and education, mainland entrepreneurs tend to concentrate in textile, electronics, construction and managerial occupations. There is a more even spread of occupations among native entrepreneurs. Possibly due to their access to local resources and the residue of Japanese colonial influence (exclusion of Taiwanese from more modern industries), Taiwanese entrepreneurs tend to be more attracted than mainlanders to paper making, food processing and machine tools. Most important of all, Table 3 reveals no mainlander's monopoly. The occupations and industries that are most consequential for the mainlanders are also most consequential for the natives of Taiwan. The entrepreneurs of modern Taiwan are well integrated.

To further probe into the background of native entrepreneurs, I analyze their regional (internal to Taiwan) origins as presented in Table 4 and Table 5. Both tables show clearly that the Taipei region has the heaviest concentration of entrepreneurs and that the Taipei region's share of entrepreneurs from the pool corresponds closely to its share of the total population. That of course is not surprising given the advanced state of Taipei's urbanization and commerce. The cases of Taichung and Tainan region are interesting. As for Taichung one sees from Table 5 that its share of entrepreneurs is higher than its share of the total population. This tends to correspond to one's im-

pressionistic picture of Taichung's being a boom town. In reality, the Taichung region is rapidly following Taipei's footstep in economic development. The situation is reversed in the case of the Tainan area. Taitung, or the eastern part of Taiwan, remains the backwater of the country.

Table 4—Regional Origin of Native Entrepreneurs

Place of Origin	Number of Entrepreneurs	Percentage of Total
Taipei municipality	372	22.35
Tainan county	235	14.12
Taichung county	204	12.25
Changhua county	159	9.55
Kaohsiung county	141	8.47
Taipei county	113	6.79
Chiayi county	74	4.47
T'aoyuan county	55	3.30
Miaoli county	51	3.06
Yunlin county	50	3.0
Hsinchu county	64	3.84
Yilan	50	3.0
Nant'ou	34	2.04
Pingtong	38	2.28
Hualien	14	0.84
Penghu	10	0.60
Taitung	2	0.10
	1863 total	97.78%

Table 5—Percentage of Entrepreneurs Compared with Population Distribution

Region	Entrepreneurs (Percentage of Total)	Population (Percentage of Total)
Taipei*	36.28	34.66**
Taichung	24.86	20.51
Tainan	24.87	26.03

*Taipei region includes: Taipei city, Taipei county, Hsinchu and T'aoyuan
Taichung: Taichung city, Taichung county, Miaoli, Changhua and Nant'ou
Tainan: Tainan city, Tainan county, Kaohsiung city, Kaohsiung county, Pingtong county.

**These population percentages are calculated from the 1980 census figures in *T'ung-chi T'i-yao* (Statistical Abstracts) (Taipei: Directorate-General of Budget, Accounting & Statistics, Executive Yuan, Republic of China, 1981), p. 32.

There are aspects of Taiwan's entrepreneurial class that are not evident in the statistical analysis presented here. For example, the entrepreneurial establishments are relatively of small scale. It is reported that 95 per cent of the enterprises on Taiwan are of small and medium size with capital of less than US $500,000.[45] Economist Tso-yung Wang wrote in 1973: "Our industrial technology is still composed of textile, cement, glass, paper, lumber, rubber, plastics, electric appliance, bicycle and sewing machine. These are technologies of the nineteenth century. We have not yet succeeded in greatly increasing the industries of the twentieth century such as steel, automobile, shipbuilding and machine tools."[46] Another sample of the entrepreneurs on Taiwan analyzed, while corresponding in general to the results of Table 3-5, shows the significant percentage of managerial and commercial occupations, being 31.86 among the mainlanders and 24.3 among the Taiwan natives.[47] Though these tertiary professions are an essential component of a modern economy, they contribute less than the true entrepreneurs in making the total "economic pie" bigger. That these administrative and trade specialists have a significant pro-

45. *Free China Journal*, (July 22, 1984), p. 1.

46. Wang Tso-yung (1982), *supra* note 32, p. 418.

47. This sample is from *Who's Who in the Republic of China, supra* note 31. It consists of 182 mainland and 288 native Taiwan entrepreneurs. I have excluded 93 mainland and 10 Taiwanese names from my sample as their occupations do not really belong to entrepreneurial activity.

portion in Taiwan's entrepreneurial class is probably due to Taiwan's close tie with the international market.

In the final analysis the rise of a modern entrepreneurial class on Taiwan lends a significant legitimacy to the "tutelary democracy" that the Kuomintang has established. The native entrepreneurs are also the strongest testimony to Taiwan's record of achieving both development and social equity.

CONCLUSION

In conclusion, the success of the Kuomintang leadership of economic growth on Taiwan is based on four political factors. First, tutelary democracy is a viable form of government during transition and provides a stable order for long-range development. In such a political system, a degree of centralization of decision-making at national level is combined with local political participation. Second, political leader's support to specialists in development is absolutely necessary for economic growth. The specialists who planned Taiwan's economy, men such as C.Y. Yin and K.T. Li, had encountered strong opposition and interference during their careers; their most dogged detractors were those politicians who had lost their factional base in the executive branch or inside the Kuomintang and entrenched themselves in the legislative and the "censorate" branch of the government. Both Yin and Li had been falsely charged with collusion with private interests by these disgruntled politicians. But the strong backing that both Yin and Li received from President Chiang Kai-shek and Vice President Ch'en Ch'eng, especially the latter, enabled the former to weather the storms. Third, the success of Taiwan's economic growth points to the importance of making good use of the knowledgeable and cosmopolitan elements of society. Unlike the leaders of the Communist Party on mainland China, virulent anti-intellectualism has not affected the Nationalist government. Thus the knowledgeable class on Taiwan was able to use its talents to build up Taiwan and provide society with a positive role model. The contrast with the communist rule of the mainland on this score cannot be sharper. There Mao subjected the knowledgeable elements (except for those in nuclear weaponry and rocketry) to persistent persecutions. The contrasting results of Taiwan's dynamic economy and society and the crisis and poverty-ridden society on the mainland are significantly due to the different roles that the knowledgeable elements have played in the two Chinese societies. Fourth, Taiwan's economic success speaks strongly for the fact that the government can never substitute for entrepreneurs. The relationship between government and entrepreneurs should be symbiotic.

Again the contrasting result of the economic crisis on the mainland accentuates the importance of entrepreneurs in a nation's economic development. On the mainland, the Communist Party eliminated the entrepreneurs as a class through its "Socialist transformation." The bureaucratic centralism that the Communist Party established had mismanaged the economy so much that drastic reform is called for as recent development on mainland China has shown.

There is one last lesson to be learned from the success of the Kuomintang leadership of Taiwan's economic development. That is, had the Kuomintang had the right environment on the mainland before 1949, conceivably it would have been equally successful in building up the mainland, for in the 1930s, before Japan's attack, and in the short period after the war, the Kuomintang used the same model of development as it did on Taiwan. Arthur Young put it well: "Had the Nationalists been granted the opportunity, their past record and resourcefulness suggest that they could have found means to promote sustained growth within the framework of a fairly free economic system."[48] In this perspective, though the Kuomintang lost the battle in 1949, it won the war of modernizing China. Though the Chinese Communists will never admit this openly, their post-Mao reforms, however, have made the admission of their failure implicitly, and borne out the success and victory of the Kuomintang.

48. Arthur N. Young, *China's Nation-Building Effort, 1927-1937*, Stanford, Calif.: Hoover Institution Press, 1971, p. 428.

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